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Halifax-Dartmouth Bridge Commission
ANNUAL REPORT 2002



Moving Traffic & Commerce

Highest traffic day ever recorded:

Friday, November 15, 2002 - 111,894 crossings

Previous highest traffic days recorded:

Friday, December 14, 2001 - 110,431 crossings

Friday, October 27, 2000 - 109,383 crossings

Number of days exceeding 100,000 crossings:

2002: 121

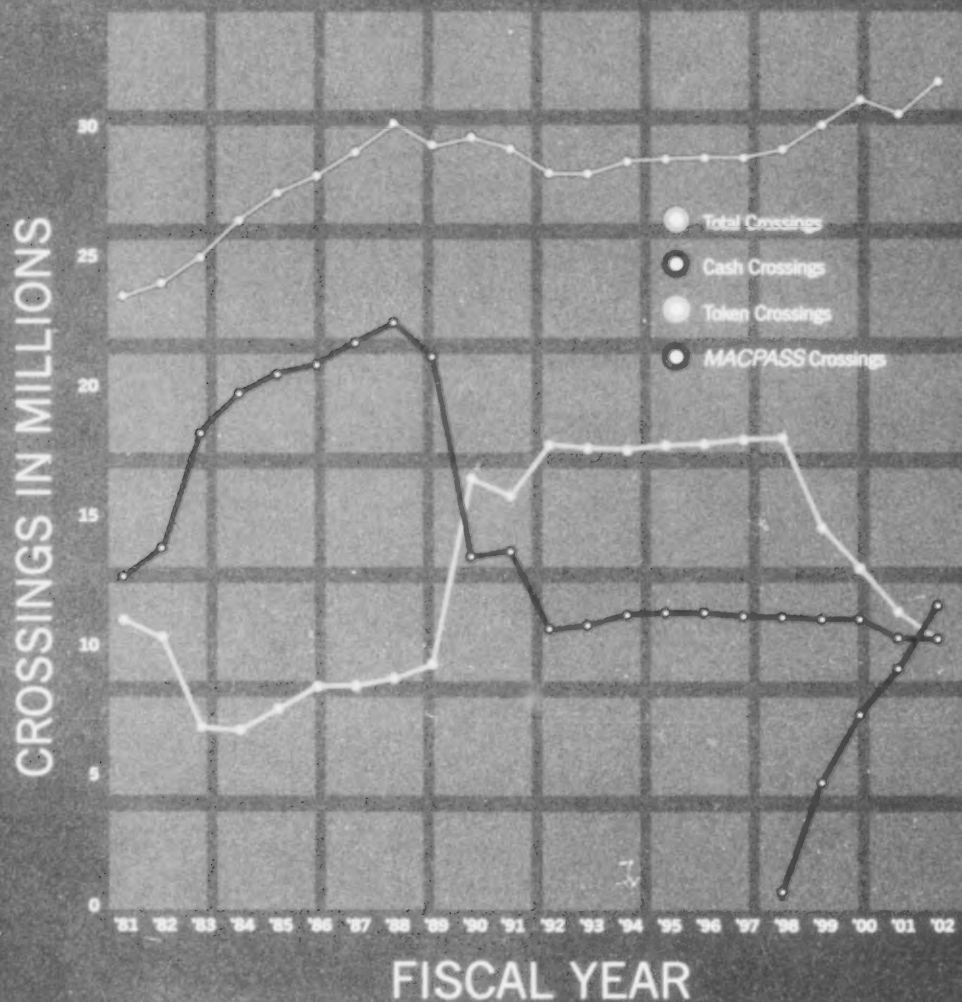
2001: 45

2000: 68

1999: 25

Total Annual Traffic Volume

Number of Crossings (in millions)



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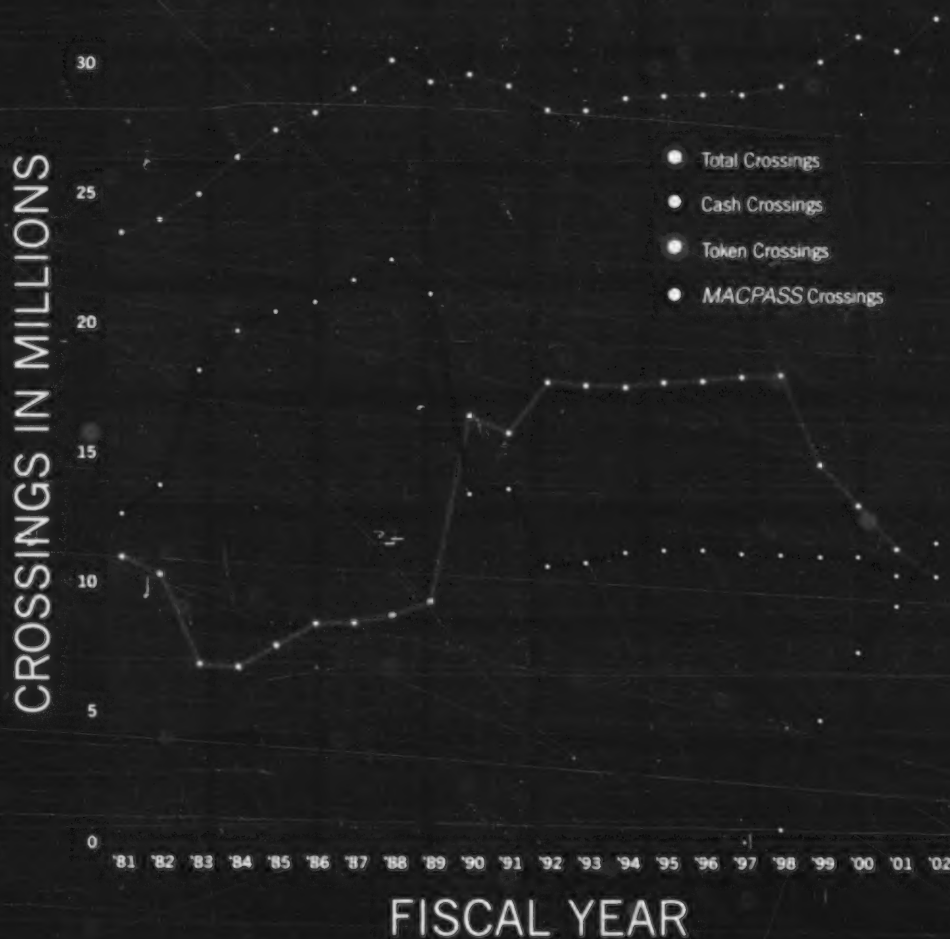




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On behalf of the new Board of Commissioners of the Halifax-Dartmouth Bridge Commission (the Commission), I am pleased to present an annual report that reflects a continued increase in both passenger traffic and positive revenue growth. I am also delighted to introduce a new Board that is committed to maintaining a continued level of exemplary customer service and responsive support to all stakeholders.

We are pleased to have been entrusted with an operation that is both healthy and growing. The outgoing Board of Commissioners under the most capable leadership of Mr. H. L. (Larry) Doane deserves a sincere vote of thanks for a job well done. Mr. Doane's personal dedication and professional expertise placed the Commission on a positive growth track, leaving a legacy that will not be forgotten.

As a result of past and present success, the Commission's sound financial management remains a constant. During 2002, the Macdonald and MacKay Bridges carried 31.6 million vehicles for which approximately \$23 million in revenue was generated. The use of the Commission's electronic toll collection system (ETC), *MACPASS*, now represents approximately 40% of all traffic volume on both bridges. The Commission's experience in intelligent transportation systems, such as ETC, is an asset in its handling of growing traffic volumes. We are recognized as the leaders in Atlantic Canada and will continue to welcome new opportunities to expand these services. In 2003, the Commission plans to further enhance *MACPASS* customer service by offering online subscription and account information.

The Commission's staff, although small in number, they are professional and highly dedicated. Many of the Commission's full-time employee tenures are above average; among its senior management staff, six have an average employment service in excess of nineteen years.

Our maintenance staff is currently working with private contractors on a new and efficient initiative to develop support infrastructure that will expand and improve the annual painting program. The use of a uniquely designed moving transportable platform is expected to cut in half the time that is currently taken to completely re-paint the bridge structures. Such accelerated maintenance programs are anticipated to contribute positively to the life expectancy of the bridge structures that currently carry over 100,000 vehicles during peak daily operations.

The Commission is a special purpose enterprise reporting to the Minister of Finance for the Province of Nova Scotia. The Commission is thankful for the cooperation and assistance provided by the Department of Finance. Working with both the Halifax Regional Municipality, our other major stakeholder, and the Province to facilitate improvements to our region's major transportation issues are a main focus of the Commission's continuing priorities.

Bruce S. Smith, BComm, CMC
Chairman

Corporate Overview

Mission

To provide safe, convenient and reliable passage for our patrons at an appropriate cost.

Mandate

The Commission was created in 1950 by a statute of the Province of Nova Scotia. With the approval of the Governor in Council (Cabinet), the Commission has the power to construct, maintain and operate bridges and the necessary approaches across the Halifax Harbour and North West Arm, or either of them.

Structure

As a commission of the provincial government, the Commission reports to the Minister of Finance for the Province of Nova Scotia and its financing is approved by the Nova Scotia Cabinet. As a self-funding user-pay operation, the Commission receives no assistance from tax dollars and its loans are not guaranteed by any level of government. The Nova Scotia Utility and Review Board approves the Commission's toll rates.

The Commission has nine board members. The Province of Nova Scotia appoints five members, including the Chairman and Secretary, while the Halifax Regional Municipality appoints four councillors to the Commission's Board. Within the Board structure, there are standing committees dealing specifically with audit/finance, public relations and maintenance.

The Commission employs 28 permanent administrative and maintenance staff, approximately 50 members of the Canadian Corps of Commissionaires (Commissionaires), and 50 seasonal painting and gardening staff.

Strategic Goals

In order to carry out its mission, the Commission has defined the following goals as strategic within its 2002 Business Plan:

- Maintain public and employee safety through regular review of the Commission's policies, operations, and safety initiatives.
- Maintain the bridges and approaches in superior condition through a continuous maintenance program.

- Maintain convenient and reliable passage by working with stakeholders to identify access and egress improvements, which will accommodate future capacity requirements.
- Continue to promote electronic toll collection (MACPASS) in order to decrease traffic congestion and accommodate future increases in traffic growth.
- Ensure the continued financial stability of the Commission through sound financial planning and management.

From these strategic goals, the Commission identified three core business areas: public safety, efficient transportation, and fiscal management, which are the focus of its operations.

Safety

The Commission achieves its safety goals through a number of ongoing initiatives. One of the main areas of emphasis for safety on the bridges is on vehicle speed reduction. This is accomplished through enhanced and attentive speed enforcement capabilities. The Commission also conducts monthly speed surveys in order to determine the impact that enforcement has on speed reduction.

In addition, accident summaries are produced quarterly to assist the Commission in determining if the accident ratio on both bridges is decreased due to speed reduction. As a result of these efforts, the Commission is realizing a gradual reduction of speed on both bridges.

During the winter months, the Commission focuses on creating safe roadways through both its ice detection systems and by implementing 24-hour a day maintenance staffing. These procedures allow for prompt attention to ice and snow removal on the structures and approaches. Attention to maintenance of the bridges is vital to the safety of staff and patrons. In order to further protect the safety of staff and patrons, the Commission has adopted a revised emergency response plan, which will be implemented in 2003.

Following the upgrade of the MacKay Bridge power supply in 2001, the Commission was able to install new roadway lighting in 2002, which has had a significant impact on nighttime visibility. Also on the MacKay Bridge, the Commission completed the installation of strain gauges to measure the deflection of the steel deck during the presence of heavy vehicles. The resulting data will assist in the ongoing analysis of structural performance.

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ANNUAL REPORT 2002

Annually, the Commission's staff and consulting engineers inspect the bridges and approaches to identify maintenance requirements and areas for improvement, which are incorporated into the maintenance schedule and capital improvements program. In addition, the Commission is working with stakeholders on a continuing basis to review opportunities related to capacity on the bridges.

Efficiency

In recent years, great strides have been made to improve traffic flow. These improvements include the resurfacing and waterproofing of the MacKay Bridge, construction of the third lane on the Macdonald Bridge and Barrington Street ramp, and the introduction of *MACPASS*. In order to further its efforts with efficient transportation, the Commission's goals are to continually market *MACPASS* and provide effective response to collisions. The constant monitoring of traffic flow helps to ensure prompt response to collisions and incidents and also raises the level of customer service provided by the Commission.

The Commission's strategies to achieve and assist efficient transportation are to increase *MACPASS* usage through continuous marketing and distribution. The Commission continues to promote *MACPASS* through cost effective

marketing and regularly assesses the opportunity to increase the number of dedicated *MACPASS* lanes. In July 2002, the Commission successfully converted two additional lanes on the MacKay Bridge toll plaza into *MACPASS* only lanes.

During 2002, the Commission celebrated one million *MACPASS* crossings per month and 31 million crossings since inception. During 2002, an average of 942 *MACPASS* transponders were issued per month and as of December 31, there were 46,900 transponders on the system accounting for more than 40% of total traffic on a monthly basis. In terms of projected *MACPASS* growth, these numbers have surpassed the Commission's targets for 2003.

Management

In order to ensure sound financial management, the Commission conducts its business by maintaining the bridges in superior condition and through the effective collection of tolls electronically through *MACPASS*, and mechanically through cash and tokens for over 31 million vehicles annually.

Please refer to the Management Report on page eight for the details of how this strategic goal is achieved.

Management Discussion & Analysis

For Twelve Months Ended December 31, 2002

The Halifax-Dartmouth Bridge Commission (the Commission) is pleased to present its Management Discussion and Analysis with respect to the twelve months ended December 31, 2002.

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission for the years ended December 31, 2002 and 2001. It combines an analysis of trends and year-to-year changes in the results with an outlook to the end of 2003. This discussion and analysis should be read in conjunction with the audited financial statements (See pages 9-10). The dollar amounts in this presentation are in thousands.

Accounting Policy

The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

Results of Operations (\$000's)

For the year ended December 31, 2002, net income was \$6,696 as compared to \$5,666 for the year ended December 31, 2001. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

At December 31, 2002, cash on hand was \$9,713 held in an interest bearing account.

REVENUES (\$000's)

Toll Revenue

Toll revenue for 2002 was up \$881 from 2001. Traffic volume in 2002 was up by 1,317,511 vehicles or an increase of 4.34% over the same period in 2001.

Other Rate Charges

Other rate charges remained the same as 2001 and represent amounts charged to various businesses, utilities and the municipality for the use of the Macdonald Bridge to run their cables and water line from one side of the harbour to the other.

Investment and Sundry Income

Investment income from the Operations, Maintenance and Administration (OMA) Fund, Debt Service Fund and Capital and Sinking Funds amounted to \$844 for 2002, compared to \$648 in 2001. This increase was due to increased investments in the Capital Fund and Sinking Fund as required by the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 (hereafter, the Trust Indenture).

Other Revenue

Other revenue decreased in 2002 by \$45. This decrease was primarily due to the Commission receiving a lower rate of interest on its current account balances compared to the same period in 2001.

Total Revenue

These revenue changes resulted in an increase in total revenue during 2002 of \$1,032, compared to 2001.

Revenue Outlook

- Toll revenues are expected to increase slightly in 2003 over 2002.
- Other rate charges are expected to remain the same in 2003 as in 2002.
- Investment income is expected to increase in 2003 as a result of increased earnings in the Sinking Fund and Capital Fund, to which additional amounts will be transferred from operations in 2003 as required by the Trust Indenture.
- Other income is expected to increase slightly in 2003 over 2002.

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These revenue changes resulted in an increase in total revenue during 2002 of \$1,032, compared to 2001.

Toll revenues are expected to increase slightly in 2003 over 2002.

Other rate charges are expected to remain the same in 2003 as in 2002.

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Other income is expected to increase slightly in 2003 over 2002.



Halifax-Dartmouth Bridge Commission ANNUAL REPORT 2002

Left to Right: Councillor Len Goucher, Councillor Brian Wanshuk, Councillor Harry McInroy, Ms. Linda Monseeth, Secretary Mr. Bruce S. Smith, Chairman; Councillor Sheila Ferguson, Mr. Clint Schofield, Mr. David Cove, Mr. Larry Duplil.

EXPENSES (000's)

Operating, Maintenance and Administrative Charges (OMA)

Operating expenses in 2002 increased by \$4 over the same period in 2001.

Maintenance expenses increased by \$112 in 2002 compared to the same period in 2001. During 2002, increases were seen in the following major maintenance expense items: vehicle maintenance \$11, deck repairs \$132 and maintenance wages \$13. The following maintenance expense items decreased: heating \$9; bridge maintenance \$15; building maintenance \$10 and equipment \$10.

Administrative expenses increased by \$115 in 2002 compared to the same period in 2001. The major administrative expense items that increased were the following: insurance \$77; general expenditures \$37; salaries and wages \$21. The major administrative expense item that decreased was office expenditures \$20.

Amortization of Capital Assets

Amortization (depreciation) of capital assets for the year 2002 was up \$217 compared to 2001 due to a full year's depreciation in 2002 on capital projects finished late in 2001.

Amortization of Deferred Transponder Charges

Continuing with the policy established in 2000 regarding the handling of transponders, the amortization charges in 2002 were the same as in 2001 (See Notes to Financial Statements #9).

Interest on Long-Term Debt and Amortization of Deferred Financing Costs

Interest on long-term debt, interest on the line of credit and amortization of deferred financing costs in the year 2002 were collectively down by \$445 over 2001. This decrease was due to lower interest rates on the line of credit.

Total Expenses

Expense variations resulted in an increase in total expenses for 2002 of \$2, compared to 2001.

Expense Outlook

- OMA expenses are expected to increase slightly in 2003 over 2002.
- Amortization of capital assets are expected to increase moderately in 2003 from the amount charged in 2002.
- Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs are expected to remain stable during 2003.
- Interest on the line of credit is expected to increase slightly in 2003 compared to 2002 as a result of expected higher interest rates.

APPROPRIATION TO RESTRICTED ASSETS (\$000's)

As required by the Trust Indenture, in December 1997, the Commission established two reserve funds: an OMA Fund equal to 25% of annual OMA expenses and a Debt Service Fund equal to 50% of annual interest costs on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit.

OMA and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the Trust Indenture. Under the terms of the Trust Indenture, beginning in 2000, the Commission established a Sinking Fund to which it deposits \$500 quarterly and a Capital Fund to which it deposits \$750 quarterly. These funds are restricted in their use and are designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Appropriation to Restricted Assets Outlook

Under the terms of the Trust Indenture, in 2003, the Commission will maintain and contribute to the four funds as required.

NET INCOME OUTLOOK

- Revenue for 2003 is expected to increase over 2002.
- Expenses for 2003 are expected to increase over 2002.
- Overall, it is expected that net income for 2003 will increase slightly over 2002.

LIQUIDITY AND CAPITAL RESOURCES (\$000's)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a positive cash flow for 2002 of \$5,699.

Operating Activities

The Commission's operating activities generated \$12,319 in positive cash flow during 2002. In 2001, a positive cash flow from operations of \$11,180 was generated. Continued positive cash flow from operations is anticipated for 2003.

Financing Activities

No additional financing activities were undertaken during 2002. The Commission expects that operating cash will provide required funding for 2003.

Investing Activities

The Commission incurred capital expenditures of \$820 in 2002, down from \$5,588 in 2001. Under the terms of the Trust Indenture, the Commission maintained four reserve funds in 2002. Contributions to and investment income in the Capital Fund amounted to \$3,466 and in the Sinking Fund amounted to \$2,288. The OMA Fund was increased by \$74 and the Debt Service Fund was maintained at \$2,975. The increase in the OMA Fund is a result of the requirements of the Trust Indenture to have the fund maintained at 25% of the annual OMA expenses.

Capital Structure

The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series I are outstanding.

The long-term debt of \$123,000 is made up of \$100,000 Toll Revenue Bonds Series I, which bear an annual interest rate of 5.95% and matures on December 4, 2007, and a line of credit of which \$23,000 was outstanding at December 31, 2002. This revolving line of credit has a limit of \$30,000 and bears a floating interest rate. During 2002, this rate ranged between 2.37% and 3.22%. The line of credit also matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the line of credit is paid annually.

The Toll Revenue Bonds Series I are rated as follows:

Dominion Bond Rating Service Limited	AA (low)
Standard and Poors Ratings Services	A +

Regulation

Nova Scotia Utility and Review Board (NSURB)

For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board. By the terms of the Commission's Act of Incorporation, the Commission is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to:

- I New construction, improvements, betterments, or extensions to its property.
- II Issuance of shares, stocks, bonds, debentures or any evidence of indebtedness.
- III Proper and adequate annual depreciation of its assets.
- IV Setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSURB approval.

Securities Regulations

The Commission is subject to securities regulations in all provinces of Canada.

Halifax-Dartmouth Bridge Commission

The Commission does not have a Board of Directors as such; these financial statements have been reviewed and approved by the Commission.



Halifax-Dartmouth Bridge Commission

EXPENSES (000's)

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Administrative expenses increased by \$115 in 2002 compared to the same period in 2001. The major administrative expense items that increased were the following: insurance \$77; general expenditures \$37; salaries and wages \$21. The major administrative expense item that decreased was office expenditures \$20.

Amortization (depreciation) of capital assets for the year 2002 was up \$217 compared to 2001 due to a full year's depreciation in 2002 on capital projects finished late in 2001.

Continuing with the policy established in 2000 regarding the handling of transponders, the amortization charges in 2002 were the same as in 2001 (See Notes to Financial Statements #9).

Interest on long-term debt, interest on the line of credit and amortization of deferred financing costs in the year 2002 were collectively down by \$446 over 2001. This decrease was due to lower interest rates on the line of credit.

Expense variations resulted in an increase in total expenses for 2002 of \$2, compared to 2001.

OMA expenses are expected to increase slightly in 2003 over 2002.

Amortization of capital assets are expected to increase moderately in 2003 from the amount charged in 2002.

Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs are expected to remain stable during 2003.

Interest on the line of credit is expected to increase slightly in 2003 compared to 2002 as a result of expected higher interest rates.

APPROPRIATION TO RESTRICTED ASSETS (\$000's)

As required by the Trust Indenture, in December 1997, the Commission established two reserve funds: an OMA Fund equal to 25% of annual OMA expenses and a Debt Service Fund equal to 50% of annual interest costs on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit.

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Under the terms of the Trust Indenture, in 2003, the Commission will maintain and contribute to the four funds as required.

NET INCOME OUTLOOK

Revenue for 2003 is expected to increase over 2002.

Expenses for 2003 are expected to increase over 2002.

Overall, it is expected that net income for 2003 will increase slightly over 2002.

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Toll rates for the use of the bridges are subject to NSUARB approval.

The Commission is subject to securities regulations in all provinces of Canada.

The Commission does not have a Board of Directors as such; these financial statements have been reviewed and approved by the Commission.



For Twelve Months Ended December 31, 2002

The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility principally through its Audit and Finance Committee.

The Audit and Finance Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit/Finance Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer

Financial Statements

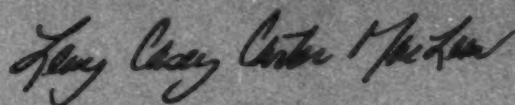
AUDITORS' REPORT

To the Chairman and Commissioners
of the Halifax-Dartmouth Bridge Commission

We have audited the balance sheets of the Halifax-Dartmouth Bridge Commission as at December 31, 2002 and 2001 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Levy Casey Carter MacLean

Chartered Accountants
Halifax, Nova Scotia
February 6, 2003

Balance Sheet December 31

ASSETS

	2002 (\$ 000's)	2001 (\$ 000's)
--	--------------------	--------------------

Current

Receivables

Accrued interest

25

8

Prepaid expenses

197

149

10,012

4,348

Capital Assets (note 2)

74,422

77,990

Investment - CMA Fund

1,409

1,425

Investment - Capital Fund

9,888

5,394

\$ 109,945

\$ 102,927

LIABILITIES

	2002 (\$ 000's)	2001 (\$ 000's)
--	--------------------	--------------------

Current

Capital project holdbacks payable

267

367

Refundable customer transporter
amounts (note 9)

1,365

1,007

5,128

4,806

Long-term debt (note 5)

123,000

123,000

DEFICIT

	2002 (\$ 000's)	2001 (\$ 000's)
--	--------------------	--------------------

Provision for revaluation

79,453

15,025

Deficit

(39,036)

(39,904)

(18,183)

(24,879)

\$ 109,945

\$ 102,927

On Behalf of the Board


Chairman


Secretary

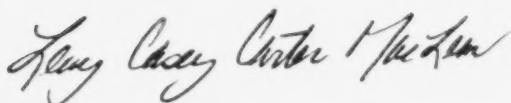
Financial Statements

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of the Halifax-Dartmouth Bridge Commission as at December 31, 2002 and 2001 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Levy Casey Carter MacLean

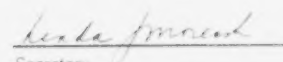
Chartered Accountants
Halifax, Nova Scotia
February 6, 2003

ASSETS		
Current		
Cash (note 1(e))	\$ 9,713	\$ 4,014
Receivables		
Trade	22	7
Accrued interest	25	8
Recoverable HST (note 2)	55	170
Prepaid expenses	197	149
Deferred financing costs and discounts, net of accumulated amortization of \$4,281 (2001 - \$3,439) (note 1(d))		
	4,141	4,983
Deferred transponder charges, net of accumulated amortization of \$142 (2001 - \$77) (note 9)		
	517	581
Capital Assets (note 3)	74,422	77,950
Restricted assets (note 4)		
Investment - OMA Fund	1,499	1,425
Investment - Debt Service Fund	2,975	2,975
Investment - Capital Fund	9,860	6,394
Investment - Sinking Fund	6,519	4,231

LIABILITIES		
Current		
Payables and accruals	\$ 431	\$ 464
Capital project holdbacks payable	267	367
Accrued interest payable	456	456
Refundable customer transponder amounts (note 9)	1,305	1,007
Deferred revenue (note 1(b) and 5)	2,669	2,512
Long-term debt (note 6)		
Reserve for restricted assets (note 4)		
	20,853	15,025
Deficit	(39,036)	(39,904)

On Behalf of the Board


Chairman


Secretary

Statements of Income and Deficit

Year Ended December 31

REVENUE	2002 (\$ 000's)	2001 (\$ 000's)
Net income from U.S.	\$ 22,588	\$ 22,102
Investment and sundry income		
OMA, Debt Service, Capital and Sinking Funds	844	648
	24,176	23,144
EXPENSES	2002 (\$ 000's)	2001 (\$ 000's)
Operating expenses	1,209	1,202
Administrative expenses	2,833	1,918
Amortization of deferred transponder charges	65	65
	17,480	17,478
Net income	6,696	5,666
Deficit, beginning of year	(20,904)	(40,114)
	(33,208)	(34,448)
Appropriation to restricted asset reserve	(5,828)	(5,456)
Deficit, end of year	\$ (39,036)	\$ (39,904)

Statements of Cash Flows

Year Ended December 31

OPERATING ACTIVITIES	2002 (\$ 000's)	2001 (\$ 000's)
Net income	\$ 6,696	\$ 5,666
Amortization of deferred transponder charges	65	65
Loss (gain) on disposal of capital assets	(28)	7
	11,963	10,749
	12,319	11,180
INVESTING ACTIVITIES	2002 (\$ 000's)	2001 (\$ 000's)
Proceeds from disposal of capital assets	28	27
Investment in sinking fund investments	(2,285)	(2,183)
Decrease (increase) in Debt Service Fund investments		85
	(6,620)	(11,017)
Increase in cash during year	5,699	163
Cash, beginning of year	4,014	3,851
Cash, end of year	\$ 9,713	\$ 4,014

Notes To Financial Statements December 31, 2002

1. Significant Accounting Policies (2000-4)

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing Handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for public-sector entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Depreciation and amortization

Amortization is calculated using the declining balance (30%) method, except for bridge structures, buildings, some bridge support structures and infrastructure, which are being depreciated using the straight line 10% method at rates based on the estimated useful life of the assets, as indicated in note 7. Assets whose useful lives in the year are equal to or less than five years, are depreciated at 20%.

d) Amortization of financing costs

The financing costs, discounts and origination costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on this, as in the general bank account at a rate of Prime minus 1.75%.

2. Government of Nova Scotia (2001) and Government of Nova Scotia

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the IGT A separately on goods and services.

3. Capital Assets

a) Basis of financial statements

4. Toll Revenue Bonds (2000-4)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain full reserve funds which will be funded from the revenues of the Commission after payment of current operating, maintenance, and administration expenses. With the exception of the reserve fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The operating, maintenance, and administration (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the OMA fund had a market value of \$1,499 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The debt service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of various indebtedness, not of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the debt service fund had a market value of \$2,975 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The Commission has been required to make quarterly contributions of \$500 to the sinking fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2002, the sinking fund had a market value of \$6,745 and was invested in various Federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.56%.

The Commission has been required to make quarterly contributions of \$750 to the capital fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the replacement of, or improvements to, the bridge. At December 31, 2002, the capital fund had a market value of \$40,179 and was invested in various Federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 5.08% to 7.96%.

5. Deferred Revenue

DEFERRED REVENUE 2002 (\$ 000's) 2001 (\$ 000's)

Unredeemed Bridge Toll (Note 4)	\$ 1,642	\$ 1,702
Deferred revenue - toll revenue		
2002 (\$ 000's)	\$ 2,669	\$ 2,512

Bridge tolls are recorded as deferred revenue until the tolls are used by customers, at which time, revenue is recognized.

Customers prepay their TTC crossings. When the customer crosses a bridge, revenue is recognized and the deferred TTC charges is reduced accordingly.

6. Long-term Debt (2000-4)

LONG-TERM DEBT 2002 (\$ 000's) 2001 (\$ 000's)

2001 Toll Revenue Bonds Series 1	\$ 123,000	\$ 123,000
2002 (\$ 000's)	\$ 123,000	\$ 123,000

\$ 500 Toll Revenue Bonds Series 1, maturing December 8, 2007 with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission, subject to the prior payment of operating, maintenance and administration expenses, and the maintenance of the toll revenue funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

50 year BAA rate + 1/10 of 35 day of prime, maturing the day following the 50th period and interest are paid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$100,000, interest is payable annually. This debt is subordinated to the payments in full of all amounts due to toll users in the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to its debentures, or the OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the \$100,000 fixed rate long-term debt based on the quoted market price for the same issue at December 31, 2002 is \$105,490.

Payments required to the Sinking Fund and Capital Fund (see note 6) over the next five years are as follows:

2004	\$ 5,000
2005	\$ 5,000
2006	\$ 5,000

REVENUE

	2002 in dollars	2001 in dollars
Toll revenue (note 1(b))	\$ 22,983	\$ 22,102
Other rate charges	135	135
Investment and sundry income:		
OMA, Debt Service, Capital and Sinking Funds	844	648
Other	214	259

EXPENSES

Operating expenses	1,206	1,202
Maintenance expenses	2,341	2,229
Administrative expenses	2,033	1,918
Amortization of capital assets	4,386	4,169
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,449	7,895
Net income	6,696	5,666
Deficit, beginning of year	(39,904)	(40,114)
Appropriation to restricted asset reserve	(5,828)	(5,456)
Deficit, end of year		

OPERATING ACTIVITIES

	2002 in dollars	2001 in dollars
Net income	\$ 6,696	\$ 5,666
Amortization of capital assets	4,386	4,169
Amortization of deferred transponder charges	65	65
Amortization of debt discount and refinancing costs	842	842
Loss (gain) on disposal of capital assets	(26)	7

Net change in non-cash operating balances (note 8)	356	431
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FINANCING ACTIVITIES

Proceeds from disposal of capital assets	28	27
Investment in capital fund investments	(3,466)	(3,302)
Investment in sinking fund investments	(2,288)	(2,183)
Increase in OMA fund investments	(74)	(57)
Decrease (increase) in Debt Service Fund investments	-	86
Purchase of capital assets	(820)	(5,588)

Increase in cash during year	5,699	163
Cash, beginning of year	4,014	3,851
Cash, end of year		

1. Significant Accounting Policies (\$000's)

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components and transponders, which are being depreciated using the straight line (s.l.) method at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

See end of Notes to Financial Statements.

4. Restricted Assets (\$000's)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from the revenues of the Commission after payment of current operating, maintenance, and administrative expenses. With the exception of the capital fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The operating, maintenance, and administrative (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the OMA fund had a market value of \$1,499 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The debt service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the debt service fund had a market value of \$2,975 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The Commission has been required to make quarterly contributions of \$500 to the sinking fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2002, the sinking fund had a market value of \$6,746 and was invested in various federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.68%.

The Commission has been required to make quarterly contributions of \$750 to the capital fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2002, the capital fund had a market value of \$10,179 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 6.08% to 7.92%.

5. Deferred Revenue

	2002 in \$	2001 in \$
Unredeemed Tokens (see below)	\$ 1,643	\$ 1,708
Electronic Toll Collection (ETC) Accounts (see below)	1,026	804

Tokens sales are recorded as deferred revenue until the tokens are used by customers, at which time, revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term Debt (\$000's)

	2002 in \$	2001 in \$
5.95% Toll Revenue Bonds Series 1 (see below)	\$ 100,000	\$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (line of credit)	23,000	23,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007 with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission, subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the \$100,000 fixed rate long-term debt based on the quoted market price for the same issue at December 31, 2002 is \$106,450.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next five years are as follows:

2003	\$ 5,000
2004	\$ 5,000
2005	\$ 5,000
2006	\$ 5,000
2007	\$ 5,000

Notes To Financial Statements December 31, 2002

7. Interest on long-term debt and amortization of deferred financing costs

INTEREST	2002 (\$ 000's)	2001 (\$ 000's)
Interest on long-term debt		
Toll Revenue Bonds Series 1	\$ 5,950	\$ 5,950
Line of credit	657	1,103
Amortization of interest		
Deferred costs and discounts	842	842
	\$ 7,449	\$ 7,895

8. Net change in non-cash operating balances

NET CHANGE	2002 (\$ 000's)	2001 (\$ 000's)
Increase (decrease) in cash from changes in:		
Prepaid expenses	(48)	(9)
Customer transponder amounts	238	263
	\$ 356	\$ 431

9. Transponders (\$000's)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Pension Plan (\$000's)

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2002. The Commission recognized an expense of \$62 for pension contributions during the year (\$61 for 2001).

11. Retirement Benefits (\$000's)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional full year of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of \$156 (2001 - \$149) in retirement benefits as at December 31, 2002. The amount of \$7 was charged to administrative and maintenance expenses for the year (2001 - \$18) in this regard.

12. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The purposes of the Commission are to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, as shown on the North West Arm.

13. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

14. Additional Credit Facility (\$000's)

The Commission has a \$5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2002, no advances were outstanding.

3. Capital Assets (continued from page 111)

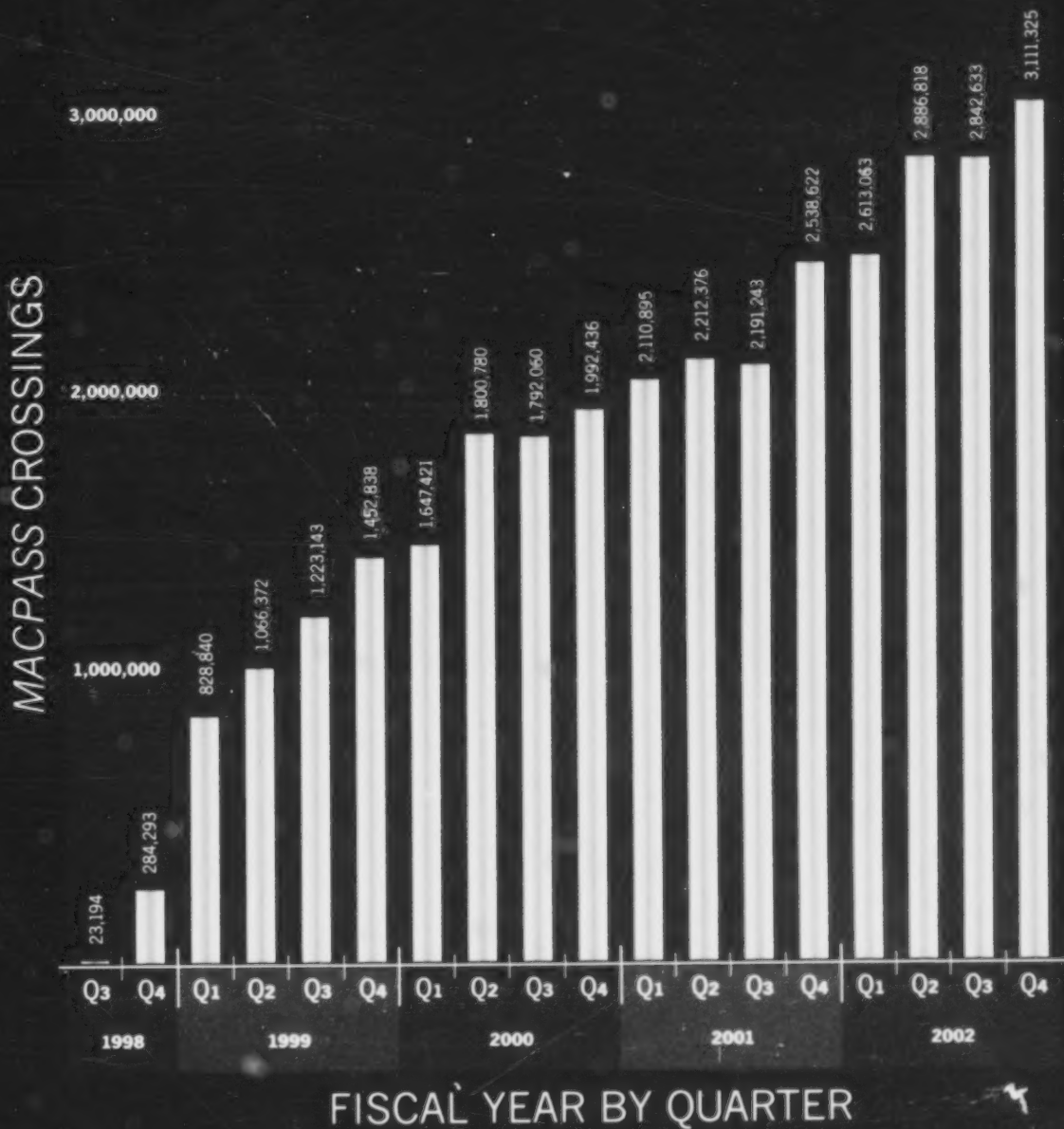
CAPITAL ASSETS		2002 (\$ 000's)		2001 (\$ 000's)	
	Rates	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		\$ 5,735	\$ -	\$ 5,735	\$ 5,735
Bridge and bridge component					
A.L. MacDonald Bridge	20 to 85 yrs s.l.	66,832	15,984	50,848	53,482
A.M. MacKay Bridge	15 to 80 yrs s.l.	23,740	9,747	13,993	14,809
Electronic toll transponder	10 yrs s.l.	842	182	660	811
Computer equipment	30% d.b.	541	383	158	183
Cell and other equipment	30% d.b.	363	1,339	1,000	2,280
Mobile equipment	30% d.b.	857	676	281	218
		\$ 107,014	\$ 32,592	\$ 74,422	\$ 77,990



MACPASS Crossings by Quarter

Percentage of total crossings with MACPASS, cash and tokens
for the year 2002:

MACPASS	36.19%
Cash	31.99%
Tokens	31.82%



7. Interest on long-term debt and amortization of deferred financing costs

Interest on long-term debt			
The Revenue Bonds Series 1	\$	5,950	\$ 5,950
Line of credit		657	710
Amortization of deferred financing costs and discounts		842	842

8. Net change in non-cash operating balances

Increase (decrease) in cash from changes in:			
Receivables	\$	83	\$ (36)
Prepaid expenses		(48)	(9)
Payables and accruals		(134)	62
Customer transponder accounts		298	263
Deferred revenue		157	151

9. Transponders (\$000's)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 31, 2000, has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see note 13 to the financial statements). The transponder cost being amortized on a straight-line basis for 2000.

3. Capital Assets (continued from page 11)

Land		\$ 5,735	\$ -	\$ 5,735	\$ 5,735
Buildings	40 years or less	2,123	1,354	769	706
Bridge and bridge component					
A.S. Macdonald Bridge	20 to 95 yrs or less	66,832	15,954	50,878	51,462
J.M. McKay Bridge	15 to 90 yrs or less	23,740	9,747	13,993	14,000
Goodman toll transponders	10 yrs or less	842	152	690	611
Computer equipment	30 to 45 yrs	541	383	158	184
Toll and other equipment	20 to 40 yrs	6,244	4,326	1,918	3,246
Other equipment	20 to 40 yrs	957	676	281	318

10. Pension Plan (\$000's)

The Commission maintains a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2000. The Commission recognized an expense of \$62 for pension contributions during the year (\$51 for 2001).

11. Retirement Benefits (\$000's)

Generally accepted accounting principles require entities to accrue an employee's future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first two years of service, plus one month's salary for each additional two full years of service. The benefit is paid on the salary in effect at the time of retirement. The Commission's recognized a liability of \$156 (2000) - \$143 in retirement benefits as at December 31, 2000. The amount of \$7 was charged to administrative and maintenance expenses for the year 2000 - \$18 in this regard.

12. Incorporation

The Halifax Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The purposes of the Commission are to construct, maintain and operate bridges and non-necessary approaches across Halifax Harbour between the communities of Halifax and Dartmouth, and across the North West Arm.

13. Contingencies

The Commission has reviewed contingencies that may lead to a claim against it for alleged damages caused to a property owner by impingement to a bridge. The potential outcome of such a claim, if any is taken, is not determinable at this time.

14. Additional Credit Facility (\$000's)

The Commission has a \$5,000 operating line facility with a bank, which bears interest at prime rate minus 5% per year. The operating facility is subject to annual review and is renewed. As at December 31, 2000, no advances were outstanding.



MACPASS Crossings by Quarter

Percentage of total crossings with MACPASS, each year, from
fiscal year 2000

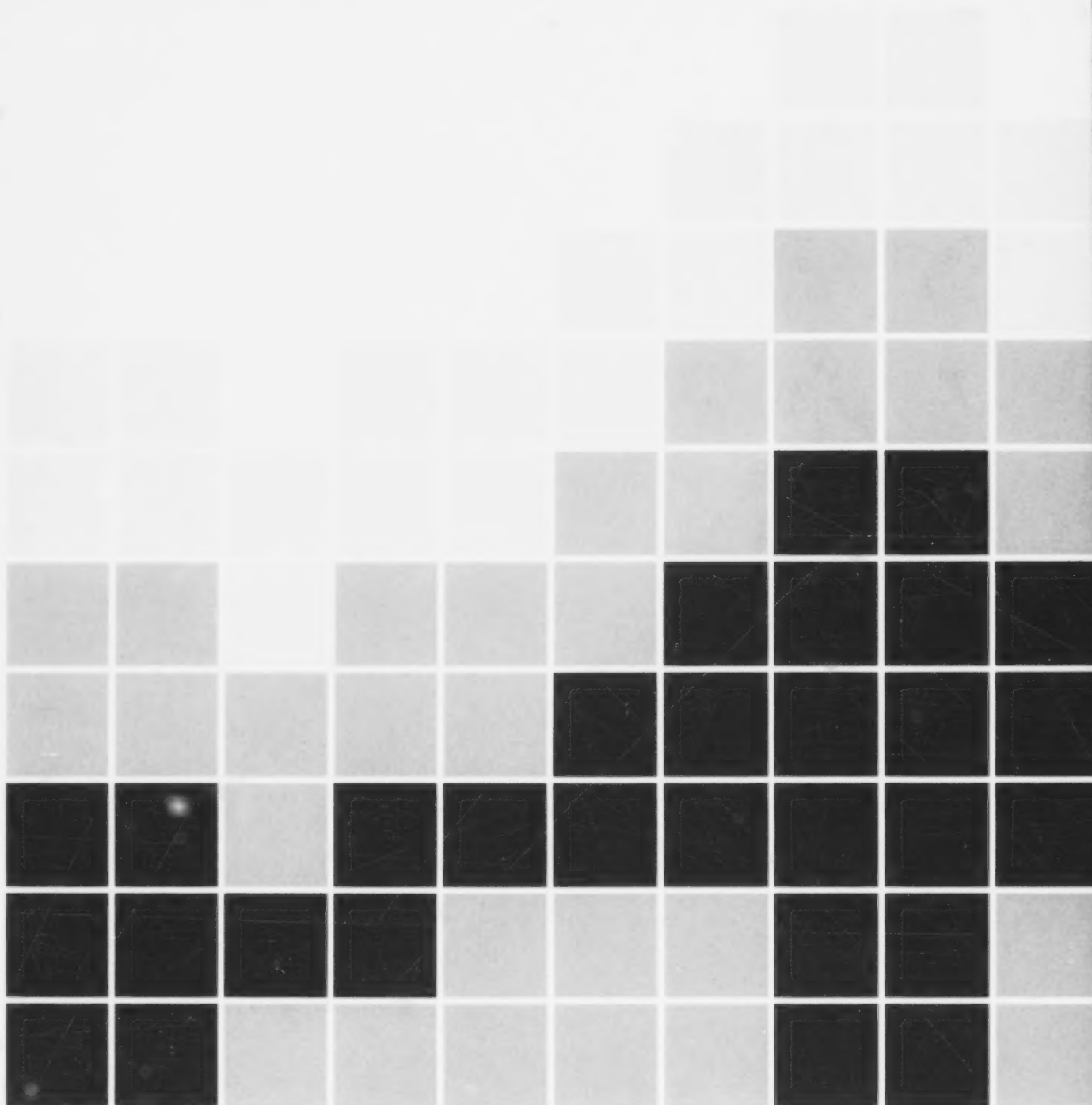
100%
 80%
 60%
 40%
 20%
 0%

MACPASS crossings



FISCAL YEAR BY QUARTER

100%



Halifax-Dartmouth Bridge Commission P.O. Box 40 Dartmouth, Nova Scotia, Canada B2Y 3Y2
www.hdbc.ca www.macpass.ca

